

## Press Release

### Gokul Dairy Products (GDP)

March 20, 2017

#### Rating Reaffirmed

<b>Total Bank Facilities Rated</b>	Rs.12.00 Cr
<b>Long Term Rating</b>	SMERA BB/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs 12.00 cr bank facility of Gokul Dairy Products (GDP). The outlook is '**Stable**'.

Gokul Dairy Products (GDP) is engaged in the processing of milk and manufacturing of value added products like ghee, paneer, curd, butter among others. The products are sold under the 'Kaveri' brand.

#### List of key rating drivers and their detailed description

##### Strengths:

###### **Established track record of operations and experienced management**

GDP was established in 2007. The firm was promoted by Mr. K. N. Krishna Murthy who possesses over two decades of experience in the dairy industry.

###### **Comfortable coverage indicators**

GDP has comfortable coverage indicators with interest coverage ratio (ICR) of 2.06 times and DSCR of 1.68 times in FY2016.

##### Weaknesses

###### **Moderate scale of operations**

GDP registered modest scale of operations with revenue of Rs.52.12 cr in FY2016 as compared to Rs. 50.18 cr in FY2015.

###### **High gearing and low net worth base**

GDP has high gearing (debt to equity) ratio of 2.47 times as on March 31, 2016. The total debt increased from Rs. 7.73 cr in FY2015 to Rs. 9.04 cr in FY2016. The firm has net worth base of Rs. 3.66 cr in FY2016 as against Rs. 3.48 cr in FY2015. The PAT margins have been constant at ~1 per cent.

###### **Risk of capital withdrawal**

GDP is exposed to risk of capital withdrawal due to the partnership constitution of the firm.

**Fragmented and competitive nature of business**

The firm is exposed to intense competition from organised and unorganised players in the dairy industry affecting profitability.

**Outlook: Stable**

SMERA believes that GDP will maintain a stable outlook and continue to benefit over the medium term owing to the extensive experience of the promoter. The outlook may be revised to 'Positive' if the scale of operations increases substantially while improving operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of failure to achieve scalability amidst intensifying competition in its area of operation or deterioration in the financial risk profile. Any higher-than-expected increase in debt-funded capex or working capital requirement may also entail a 'Negative' outlook.

**About the Rated Entity**

The firm reported net profit of Rs. 0.53 cr on net sales of Rs. 52.12 cr in FY2016 as compared with net profit of Rs.0.45 cr on net sales of Rs.50.18 cr in FY2015. The net worth stood at Rs. 3.66 cr in FY2016.

**Status of non-cooperation with previous CRA (if applicable)**

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

**Note on complexity levels of the rated instrument**
<https://www.smera.in/criteria-complexity-levels.htm>
**Rating History for the last three years:**

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Cr)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	4.79	SMERA BB/Stable (Reaffirmed)	8 Jan, 2016	SMERA BB/Stable (Assigned)	-	-	-	-
Term Loan	LT	0.10 (Reduced from 0.15)	SMERA BB/Stable (Reaffirmed)	8 Jan, 2016	SMERA BB/Stable (Assigned)	-	-	-	-
Proposed Cash Credit	LT	5.11 (Enhanced from 1.71)	SMERA BB/Stable (Reaffirmed)	8 Jan, 2016	SMERA BB/Stable (Assigned)	-	-	-	-
Proposed Term Loan	LT	2.00	SMERA BB/Stable (Reaffirmed)	8 Jan, 2016	SMERA BB/Stable (Assigned)	-	-	-	-

**\*Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings
Cash Credit	NA	NA	NA	4.79	SMERA BB/Stable (Reaffirmed)
Term Loan	NA	NA	September 2017	0.10	SMERA BB/Stable (Reaffirmed)
Proposed Cash Credit	NA	NA	NA	5.11	SMERA BB/Stable (Reaffirmed)
Proposed Term Loan	NA	NA	NA	2.00	SMERA BB/Stable (Reaffirmed)

---

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smerra.in](http://www.smerra.in).

***Disclaimer:*** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smerra.in](http://www.smerra.in)) for the latest information on any instrument rated by SMERA.